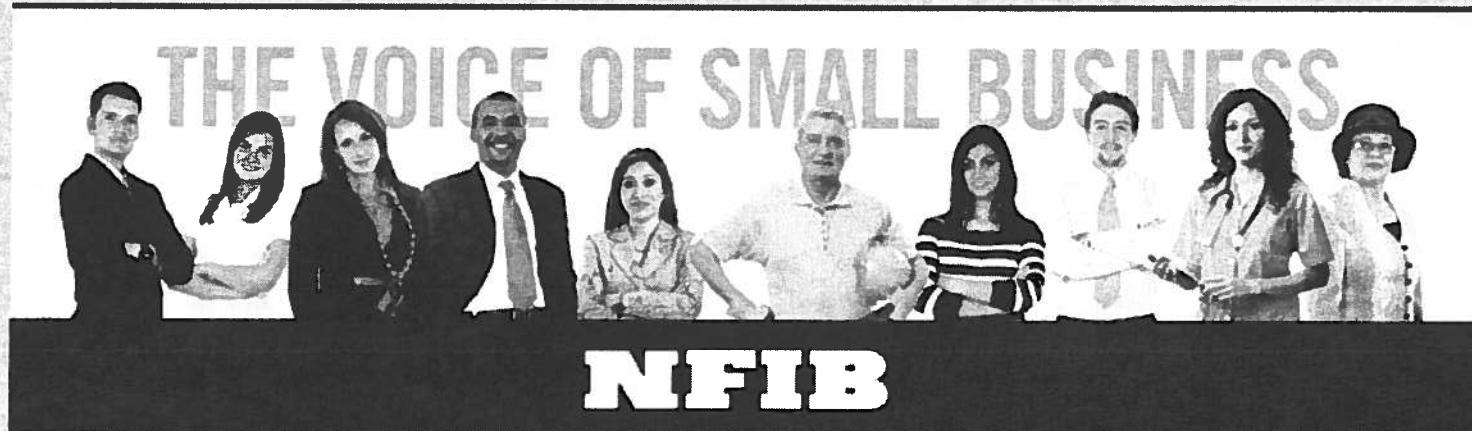
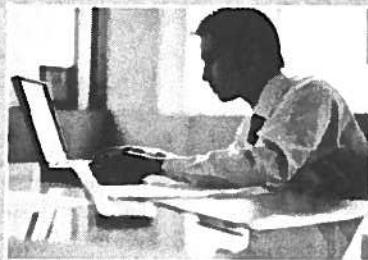


The State of Small Business in Michigan



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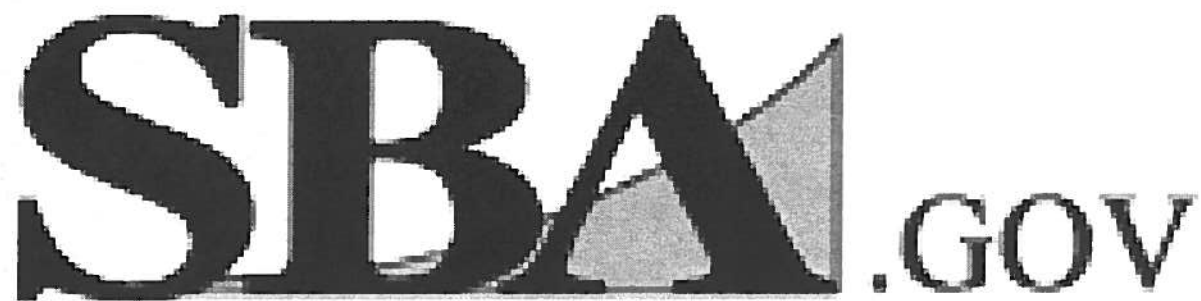


The definition of a small business can be quite illusive



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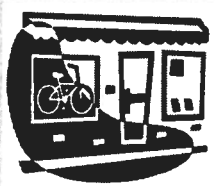
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U.S. Small Business Administration

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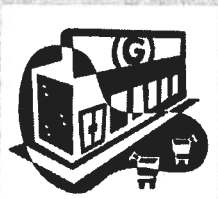
The Small Business Act states that a small business concern is "one that is independently owned and operated and which is not dominant in its field of operation." Title 13, Code of Federal Regulations, part 121 (13 CFR 121).



Over the years SBA has established and revised numerical definitions for all for-profit industries, and this numerical definition is called a "size standard." It is almost always stated either as the number of employees or average annual receipts of a business concern.



SBA has established a Table of Small Business Size Standards, which is matched to the North American Industry Classification System (NAICS) for industries.



Based on those criteria, the SBA has established the following common standards for a small business, depending on its North American Industry Classification System (NAICS) code:

500 employees for most manufacturing and mining industries, and \$7 million in average annual receipts for most non-manufacturing industries.

But often a small business is further defined in regulation or statute as one that has less than 50 employees (Affordable Care Act, Family and Parental Leave Act etc.)

Other regulations or standards may choose 25, 20 or 15 employees.

Then there is the "non-employer" category (essentially self-employed people). A non-employer firm is defined as one that has no paid employees, has annual business receipts of \$1,000 or more (\$1 or more in the construction industries), and is subject to federal income taxes. The Census Bureau provides nonemployer business data. According to Census, "Non-employers account for roughly 3 percent of business activity [in terms of sales or receipts]. At the same time non-employers account for nearly three-quarters of all businesses. Most non-employer businesses are very small, and many are not the primary source of income for their owners." See the U.S. Census Bureau, Non-employer Statistics for more detailed information.



The average NFIB member has less than 10 employees and \$500,000 in sales.

NFIB has just over 350,000 members nationwide and 10,000 members in Michigan

Our Michigan members have 83,368 employees, there are another 3,444 who list no employees (so probably self employed) for a total of 86,812.



Small Business Profile Michigan

Small businesses significantly impact Michigan's economy. They represent 98.3 percent of all employers (employer firms only) and employ 51.7 percent of the private-sector labor force. Small businesses are crucial to the fiscal condition of the state and numbered 851,112 in 2010 (171,360 + 679,752).

Michigan Small Business Facts

	2010*	2009	2000
Number of Businesses			
Small employers (<500 employees)	171.360	173.284	190.738
Large employers (500+ employees)	2.985	3.019	3.123
Nonemployers	679.752	666.395	526.958

Michigan Small Business Facts

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Nonemployers	679.752	666.395	526.958

Small businesses with less than 20 employees represent 84.91 percent of all employers and employ 19.32% percent of the private-sector labor force.

Small businesses with less than 50 employees represent 92.94 percent of all employers and employ 29.85% percent of the private-sector labor force.

Small businesses with less than 100 employees represent 95.94 percent of all employers and employ 37.13% percent of the private-sector labor force.

Private-Sector Firms by Employment Size of Firm and State, 2010													
	Employment size of firm												
	Total	1-4	5-9	10-19	20-49	50-99	100-249	250-499	500-999	1,000-2,499	2,500-4,999	5,000-9,999	10,000+
Michigan	151,075	77,670	31,063	19,539	12,143	3,929	2,671	1,073	750	790	462	374	611
Percent of total		51.41%	20.56%	12.93%	8.04%	2.60%	1.77%	0.71%	0.50%	0.52%	0.31%	0.25%	0.40%
Cumulative		51.41%	71.97%	84.91%	92.94%	95.54%	97.31%	98.02%	98.52%	99.04%	99.35%	99.60%	100.00%

Private-Sector Employment by Employment Size of Firm and State, 2010													
	Employment size of firm												
	Total	1-4	5-9	10-19	20-49	50-99	100-249	250-499	500-999	1,000-2,499	2,500-4,999	5,000-9,999	10,000+
Michigan	3,290,637	183,662	204,073	248,088	346,625	239,375	311,725	202,543	160,274	213,858	165,041	156,130	859,243
Percent of total		5.58%	6.20%	7.54%	10.53%	7.27%	9.47%	6.16%	4.87%	6.50%	5.02%	4.74%	26.11%
Cumulative		5.58%	11.78%	19.32%	29.85%	37.13%	46.60%	52.76%	57.63%	64.13%	69.14%	73.89%	100.00%

Notes: Based on initial period firm size (data is also available based on a average firm size across two time periods). Data back to 1977 is available directly from Census.

*Establishment activity is defined by the existence of March 12 employment

Source: U.S. Small Business Administration, Office of Advocacy, from data provided by the U.S. Census Bureau, Business Dynamics Statistics (www.census.gov/ces/dataproducts/bds/).



Small Business Profile Michigan

Table 2: Net Job Change by Firm Size, 2007–2010 (Nonfarm)

	Total Net	Employment Size of Firm						
	New Jobs	1-4	5-9	10-19	20-99	100-499	<500	500+
2010	-59,797	15,303	-2,455	-11,603	-23,383	-8,610	-30,748	-29,049
2009	-229,354	17,845	-4,377	-14,435	-42,449	-56,360	-99,776	-129,578
2008	-25,505	18,007	-5,134	-4,489	-13,088	-1,372	-6,076	-19,429
2007	-90,974	16,490	-4,866	-10,990	-18,677	-25,645	-43,688	-47,286

Note: Data source differs from previous publications.

Source: U.S. Dept. of Commerce, Bureau of the Census, Business Dynamic Statistics. (For more detailed data see www.sba.gov/advocacy/849/12162.)

- 405,630

+ 67,645



Listen up, government: Small business is most trusted group

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Strategies

Rhonda Abrams

By Rhonda Abrams, USA TODAY

Be proud, small-business owners! You're now the most trusted group in America. Listen up, federal government! You're neglecting small business — and most people think so.

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“According to 2010 study by the Pew Research Center, small business is the most trusted institution in America.”

1. Small Business

2. Technology companies

3. Churches & religious orgs

4. Colleges & universities

5. Obama administration

6. Entertainment industry

7. Labor unions

8. Federal agencies and depts

9. National news media

10. Large corporations

11. Federal government

12. Congress

13. Banks & financial inst

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Michigan Small Business Facts

Business Owner Demographic:	Firms	Employment	Percent of Firms	Percent of Employment
Male-owned	412	1,250	40.16%	32.43%
Woman-owned	248	244	24.17%	6.33%
Equally male/female-owned	131	223	12.77%	5.79%
African American-owned	73	31	7.12%	0.80%
Asian-owned	22	66	2.14%	1.71%
Hispanic-owned	11	19	1.07%	0.49%
Native American/Alaskan-owne	6	5	0.58%	0.13%
Hawaiian/Pacific Islander-owned				
Veteran-owned	97	219	9.45%	5.68%
Publicly held, unclassified	26	1,797	2.53%	46.63%
(2007 Data)	1026	3,854		

Michigan Small Business Facts

	Firms		Employment	
Total Number of Firms 2010 Data	171,400	100%	1,699,800.00	100%
Forestry, etc. and agriculture support	500	0.29%	2,900.00	0.17%
Mining	300	0.18%	2,600.00	0.15%
Utilities	100	0.06%	1,800.00	0.11%
→ Construction	18,700	10.91%	95,000.00	5.59%
→ Manufacturing	10,900	6.36%	222,500.00	13.09%
Wholesale trade	9,000	5.25%	93,300.00	5.49%
→ Retail trade	22,600	13.19%	178,200.00	10.48%
Transportation and warehousing	4,300	2.51%	36,800.00	2.16%
Information	1,500	0.88%	17,600.00	1.04%
Finance and insurance	6,600	3.85%	59,000.00	3.47%
Real estate and rental and leasing	5,800	3.38%	32,700.00	1.92%
→ Professional, scientific, and technical svcs.	19,700	11.49%	133,400.00	7.85%
Management of companies and enterprises	700	0.41%	12,900.00	0.76%
Admin., support, waste mgt., remed. svcs.	9,700	5.66%	130,600.00	7.68%
Educational services	1,900	1.11%	31,700.00	1.86%
→ Health care and social assistance	20,300	11.84%	268,500.00	15.80%
Arts, entertainment, and recreation	3,300	1.93%	34,900.00	2.05%
Accommodation and food services	14,800	8.63%	205,700.00	12.10%
→ Other services (except public admin.)	21,200	12.37%	138,700.00	8.16%
Unclassified	800	0.47%	D	

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Michigan's Small Business Climate



Then and Now

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A quick walk down memory lane...

How bad was it?

- ▶ Small business hated the MBT so much they wanted the SBT back!
- ▶ Michigan was the only state to lose population in the most recent census
- ▶ The only growth was in government employee pay and benefits and...
- ▶ Rules, regulations, and agency freelancing!
- ▶ Michigan was a leader in home mortgage foreclosures!
- ▶ By almost every business climate ranking we were at the bottom of the barrel!
- ▶ Etc.

What has changed?

The Tax Foundation moved Michigan to the seventh best state in business tax climate, a huge shift from being previously ranked 49th.

Michigan's overall tax ranking with the Tax Foundation is now 12th, up from 18th. The state is seventh for sales tax and 11th for personal income.

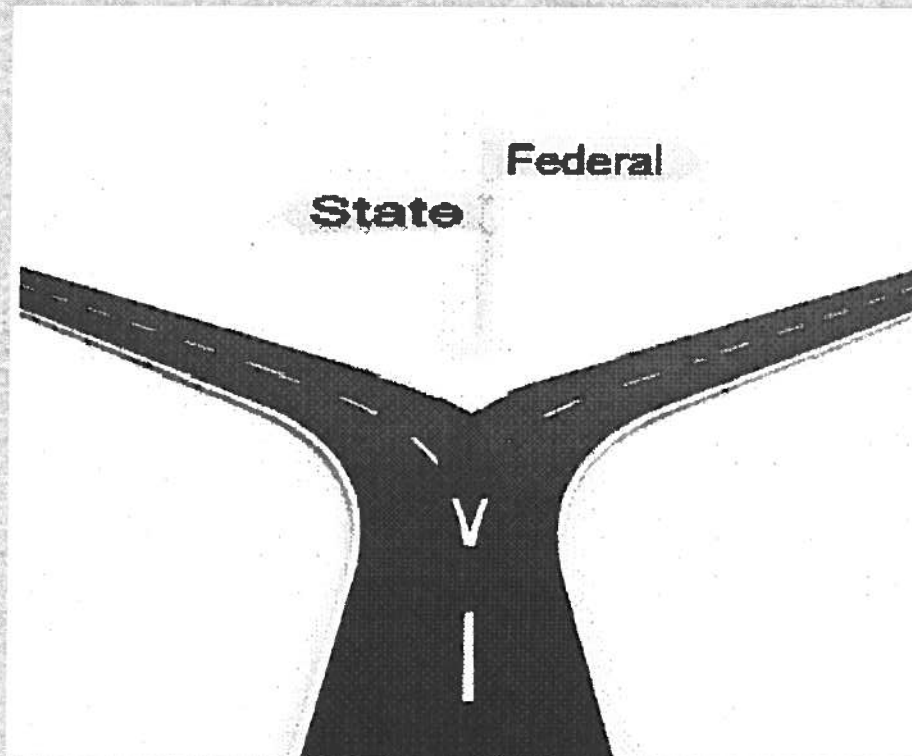
Michigan's unemployment rate fell from 11.1 percent in December 2010 to 8.9 percent in December 2012.

Michigan's bond standing has been upgraded from "stable" to "positive."

Headlines in the NEW YORK TIMES 2-8-2012 announced "Surplus Surprises Michigan, but Is It Safe to Spend Again?"

The state is recovering at the second fastest pace in the U.S., behind only North Dakota, which is currently in the midst of an oil boom, Bloomberg reports.

Michigan's Small Business Climate vs.



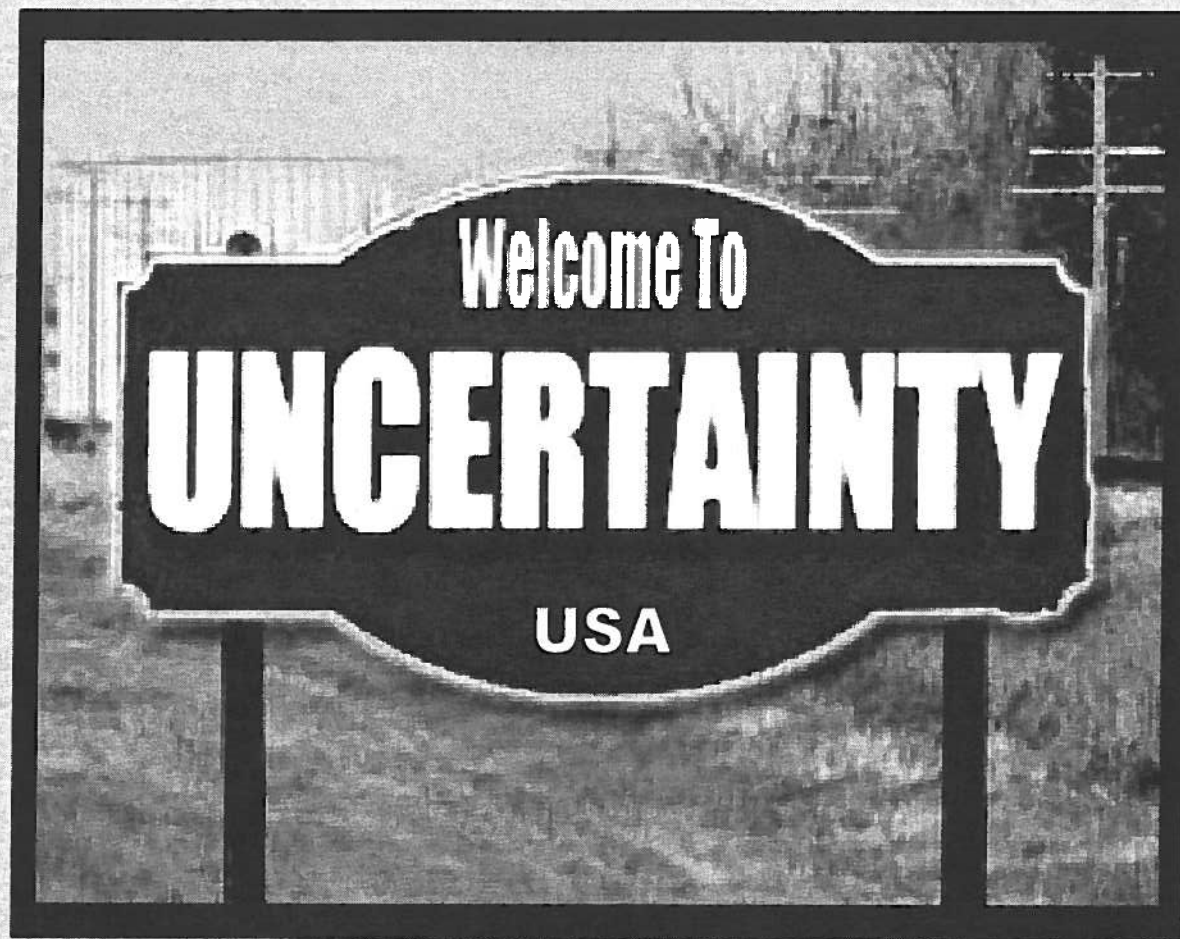
Current National Business Climate

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There can be no greater contrast between Michigan's direction and that of national economic policy.

While Michigan has made immense strides in turning the state away from the central planning and government command and control approach of the past, our federal government seems to have doubled down on this template.



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America's Small Business



A Vital Link in the Job Creation Chain

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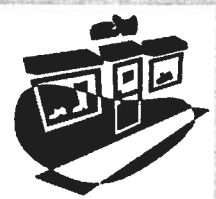
Payrolls at firms with fewer than 500 employees accounted for less than 50 percent of the total workforce for the first time in 2008 during the recession and have barely recovered



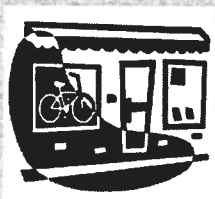
A new survey by Citibank finds that 23 percent of small business owners have gone without pay for at least a year as they work to keep their businesses afloat in a tough economy.



Citigroup: Small Firms to Remain Missing Link in US Economic Expansion. The total number of small businesses has decreased to 4.9 million in 2010 from a peak of 5.3 million three years earlier.

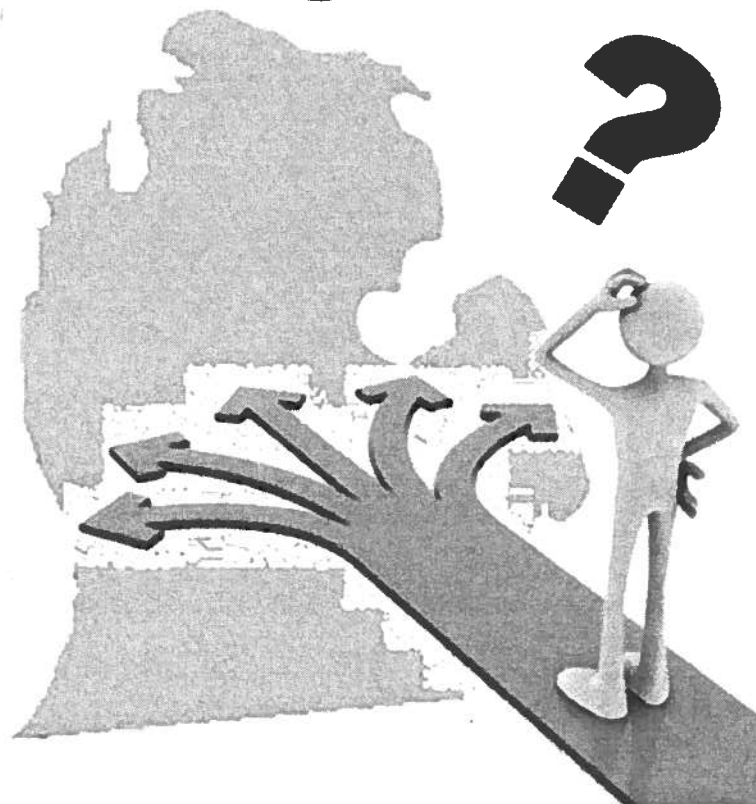


"The environment for small businesses is not good," said William Dunkelberg, NFIB's chief economist and a professor at Temple University in Philadelphia. "Sales are weak, there's regulatory bombardment, tax changes, all the uncertainty about the economy..."



A survey of 1,482 small businesses by the U.S. Chamber of Commerce confirmed the bleak outlook. More than half of respondents in the fourth quarter projected the economic climate for their firms will worsen over the next two years.

Michigan 2013



What's Next?

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The State of Small Business in Michigan



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The State of Small Business in Michigan

Sources of data used in this presentation:

<http://taxfoundation.org/article/2013-state-business-tax-climate-index>

<http://www.deptofnumbers.com/unemployment/michigan/>

<http://www.cnbc.com/id/47723383>

<http://www.moneynews.com/Economy/small-firms-economic-expansion/2013/01/14/id/471341>

http://usatoday30.usatoday.com/money/smallbusiness/columnist/abrams/2010-04-23-small-business-pew-survey_N.htm

<http://www.sba.gov/sites/default/files/mi12.pdf>



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